

WHERE WILL YOU BE WHEN THE RECESSION ENDS?

George R. Pilcher
Vice President

The ChemQuest Group, Inc.
Cincinnati, Ohio

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Where will you be when the Recession ends? This is not an idle question. At this moment, we are living in a transformational period of history—a period that will alter not just individual behavior, but which will affect society at large, and industry as a whole. When this is finally over, much will look the same, but don't be fooled. Governments around the globe are in the process of spending untold amounts of money on infrastructure improvements, alternative energy generation, programs that will reward the development of advanced manufacturing strategies, *et al.* It is during periods of time like this that dinosaurs perish, yesterday's common practices become passé, and companies that are perceptive and proactive prosper.

The past two decades have been a period of creative stagnation for the majority of the world's chemical-based manufacturing industries, and this holds true for adhesives and sealants, as well. This is not to imply that there has been no innovation, because there has—and there have been some interesting and worthwhile products introduced during this period of time. One need only look at materials like reactive polyurethane hot melts replacing solvent based contact cements and epoxies in panel bonding, for example, or at the way in which conductive and thermal dissipative epoxies have replaced solders. Take a second look, however, and it becomes clear that these have been the result of incremental improvement. They may seem new and different, but they are not transformational—they are not “Gecko Glue.”

Less and less is being spent on R&D. As a percentage of industry sales, R&D spending is no more than 60-70% of what it was 10-15 years ago, and what has been funded is largely tactical in nature—incremental improvement focused on value-maintenance rather than the strategic creation of value-added platform technologies and truly new products. Unfortunately, there never seems to be a good time to team up the R&D people with the Marketing people (also a dying breed on the corporate vine) and direct them toward the future. Either business is good, and all hands must be on deck to take care of current business, or things are slow, reductions in force are enacted, and all available R&D and Marketing resources are deployed toward producing results for the current quarter. Slow times, however, are the perfect time to engage the best marketing and R&D people in strategic planning, and to act to assure a more secure and profitable tomorrow.

During slow times, customers' production lines are available for looking at new products, and their testing laboratories have the time to evaluate new technological concepts and prototype products. During this time, the far-sighted company will be the one not cutting back on technical and market research, but the one ramping up both. The



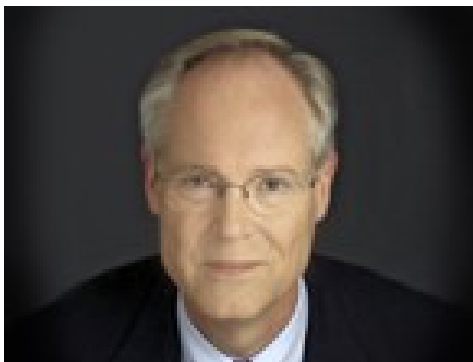
organizations that will emerge from the global recession and go on to do great things will be the ones that are currently investing in marketing resources, using either inside personnel or outside firms, to detect and define how things are changing during this transformational period, and to determine what will be needed when things begin to turn sunward. The far-sighted companies will be translating this market research into technology for the future—companies that have their R&D staffs working like the Hammers of Hell to create those green, energy-efficient, low-carbon-footprint, low-emission, higher-performing products manufactured wholly or in part from renewable resources that will not only meet future needs, but will dominate future trends.

As we head into the future, it will be increasingly difficult for major manufacturers of durable goods to avoid the environmental and economic pressures that will be placed on them not only by the global regulatory community, but by consumer demands and perceptions, as well. Automobiles are going to need to be lighter and more environmentally friendly—and will require the use of adhesives and sealants that will make that possible, especially with regard to strength-to-mass ratios. The same will be true wherever adhesives and sealants are used, from flexible packaging to infrastructure projects, both new and repair; from medical applications to PSAs; from aerospace to the proposed new digital electricity grid. Increasing use will be made of dissimilar materials that will need to be bonded, and this will mean, in many cases, new technology that meets regulatory and consumer expectations for sustainability and “green-ness.”

So—where will you be when the Recession ends? It all depends upon what you are doing right now.



About the Author...



George R. Pilcher

Vice President

The ChemQuest Group, Inc.

www.chemquest.com

an international strategic management consulting firm specializing in the adhesives, sealants and coatings industries, headquartered in Cincinnati, Ohio. Call them at (513) 469-7555.

George R. Pilcher is Vice President of The ChemQuest Group, Inc., an international strategic management consulting firm specializing in the adhesives, sealants and coatings industries, headquartered in Cincinnati, Ohio. Mr. Pilcher has a comprehensive command of research and technology development, regulatory issues, production methods, technical marketing tools, raw material specification and purchasing, change management and public awareness/education. Mr. Pilcher has also served as executive liaison with corporate and outside legal counsel and has extensive experience with patent, trademark, acquisition/due diligence, personnel, warranty, advertising, confidentiality and contract issues. He holds a B.A. degree in Chemistry from The College of Wooster (Wooster, OH). Call George at (513) 469-7555. www.chemquest.com

The ChemQuest Group, Inc. is a strategic management consulting firm that has been a respected source of information pertaining to the coatings, adhesives and sealants markets since 1980. It has continually monitored the changes in market size, technology developments, raw material trends and the emergence of growth opportunities in these complex, fragmented industries. The firm is “top-line” focused, offering such services as strategy development, market analysis and mergers & acquisitions. ChemQuest is headquartered in Cincinnati, OH and has offices in Columbus, OH; Raleigh, NC; Boston, MA; London, England; Düsseldorf and Hamburg, Germany; Guangzhou, China; Bangalore, India; Buenos Aires, Argentina; and Cairo, Egypt.

Questions or request for additional copies of this paper may be directed to the author at:

**The ChemQuest Group, Inc.
8150 Corporate Park Drive
Suite 250
Cincinnati, OH 45242**

(513) 469-7555

(513) 469-7779 – FAX

www.chemquest.com

